

ASX Announcement

31 August 2022

AVADA Group Limited FY22 results

AVADA Group Limited (ASX:AVD) ('AVADA', 'the Company' or 'the Group'), the recently listed provider of traffic management services in Australia, released its unaudited FY22 results today together with an Investor Presentation which referred to a pro forma normalised EBITDA of \$12.6m. The Company will release its full audited accounts and annual report by 30 September 2022.

FY22 Highlights:

- Acquisition of five subsidiaries on 15 December 2021, being:
 - Verifact Traffic Pty Ltd, and its subsidiaries Customised Traffic Management No.2 Pty Ltd, Linemark Traffic Control Pty Ltd and Traffic Management People No.2 Pty Ltd;
 - D&D Services (Australia) Pty Limited and its subsidiary D&D Traffic Management Pty Limited;
 - Platinum Traffic Services Pty Ltd;
 - The Traffic Marshal Pty Ltd; and
 - A20 Pty Limited and its subsidiary Arid to Oasis Traffic Solutions Pty Ltd
- AVADA Group Limited listed on the Australian Securities Exchange on 17 December 2021.
- A year of unprecedented disruption owing to COVID restrictions (particularly impacting October 2021 to December 2021) and severe weather impacts experienced in the second half of the financial year. The "double La Niña" event has resulted in rainfall in the period from 1 January 2022 to 30 June 2022 exceeding the prior ten-year average by 86% in Sydney and 122% in Brisbane.
- Establishing a presence in Victoria following the acquisition of Construct Traffic in June 2022 (completed on 26 August 2022).
- Implementation of synergies and operational integration have been a key undertaking of management post acquisition.

Pro forma normalised trading performance improvement despite challenging external conditions

Unaudited revenue for the year totalled \$139m, up from pro forma \$117.0m in FY21, as the Group continued to secure key contract wins and extensions, combined with \$15.4m of revenue related to bolt-on acquisitions completed by Verifact Traffic prior to its acquisition by AVADA. Pleasingly, underlying growth in revenue was achieved despite the significant disruptions during the period.

Unaudited EBITDA of \$12.6m is in line with updated guidance provided in June this year. Pro forma FY21 EBITDA was \$11.5m.

Following the acquisition of the initial five subsidiaries in December 2021 and the recent acquisition of Construct Traffic, AVADA continues to drive business integration and implement synergies while also growing the fleet and team to meet expected demand.

Unaudited statutory loss includes impairment charge of \$15m, reflecting a conservative assessment of external conditions

The Company reported an unaudited statutory loss for the year after providing for income tax (net loss after tax or NPAT) of \$18.6m. The statutory loss includes \$7.1m of one-off costs incurred by the Company in undertaking the acquisitions of the subsidiaries and listing on the Australian Securities Exchange on 17 December 2021 (including \$3.5m of share-based payments to advisors and key management personnel).

The statutory loss also includes an impairment expense of \$15m in respect of the goodwill and intangible assets of the acquired subsidiaries. The acquired entities were tested for impairment at 30 June 2022 in accordance with AASB 136 Impairment of Assets and through a value-in-use assessment conducted using a discounted cash flow. In undertaking this assessment, the Directors have considered:

- The unprecedented impacts of COVID-19 restrictions and extreme weather events on operations experienced in FY22;
- Impacts on July trading with Sydney recording it's wettest July on record;
- The Bureau of Meteorology has raised the ENSO Outlook to La Niña Alert, meaning a 70% chance of another La Niña event in the coming months;
- Continued challenges in the labour market which may impact the ability of the Group and its clients to service the significant pipeline of revenue and projects which have been deferred; and
- Potential margin impacts from continued inflationary pressures.

Notwithstanding a strong pipeline of infrastructure spend, the Directors have determined, given the potential for ongoing disruption, to take a prudently conservative view of assumptions in undertaking the impairment review.

Outlook

The pipeline for civil services work remains strong given the recurring maintenance requirements of essential infrastructure and government funding of new infrastructure projects. Additional funding in response to flood damage in New South Wales and Queensland in 2022 is also expected to support industry revenue in FY23 and FY24.

Geographic expansion, including through the acquisition of Construct Traffic, will also provide diversification to the Group's revenue and customer base.

The significant pipeline into FY23 from deferred work is expected to deliver continued revenue growth, buoyed by strong infrastructure tailwinds.

AVADA will continue to pursue acquisition opportunities to further extend its geographical footprint across Australia and New Zealand, consistent with the Group strategy. This strategy will provide further diversification of Group's geographical footprint and ability to service clients on a national scale. Growth in existing markets will be supported through organic growth and bolt-on acquisitions.

AVADA Group MD & CEO Dan Crowley commented: *"Achieving growth in underlying revenue and EBITDA in FY22 was a good result and demonstrates the resilience of the business. The current level and pipeline for civil services work continues to grow and with the acquisition of Construct Traffic giving AVADA a strong presence in Victoria, helps ensure the Group starts FY23 in a strong position. Taking account of the challenging year and the potential for such conditions to persist, the Group is taking a number of steps to mitigate these impacts, including implementing rate increases, procurement efficiencies and continuing to realise synergies and improve business performance. The Group also continues to work with local and state government authorities to support training and recruitment initiatives in a challenging labour market."*

This announcement is authorised for release by the Board of Directors of AVADA Group Limited.

About AVADA Group Limited

AVADA is Australia's largest listed integrated traffic management provider, with established operations throughout Queensland, NSW and Victoria servicing major public and private sector clients.

With an extensive network of 27 Depots, more than 900 vehicles and 1,900 dedicated employees the Group is well positioned in the integrated traffic management and associated civil sectors.

Visit us at avadagroup.com.au

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